

Message Text

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FM SECSTATE WASHDC

TO USMISSION OECD PARIS

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FOR ASST SECRETARY ENDERS

FOLLOWING REPEAT CARACAS 11965 ACTION SECSTATE 18 NOV

QUOTE

LIMITED OFFICIAL USE CARACAS 11965

E.O. 11652: N/A

TAGS: EFIN, ECRP, EALR, VE

SUBJECT: GOVERNMENT FINANCES 1976

1. SUMMARY: MINISTER OF FINANCE HAS TRIED TO ALLAY
CONCERN ABOUT POSSIBLE REDUCTION IN OIL REVENUE FOR
1976. END SUMMARY.

2. ACCORDING TO PRESS STATEMENTS MINISTER OF FINANCE, HECTOR
HURTADO, HAS REJECTED THE IDEA THAT A REDUCTION IN PETROLEUM
REVENUE NEXT YEAR WOULD AFFECT THE 1976 BUDGET. HE NOTED THAT THE
1976 BUDGET DOES NOT TAKE INTO ACCOUNT THE INCREASE IN
PRICES AGREED TO BY OPEC AND THAT A DECREASE IN
PRODUCTION WOULD BE OFFSET BY THE PRICE INCREASE.
ACCORDING TO HURTADO, PRODUCTION WOULD HAVE TO DROP TO
TWO MILLION BARRELS PER DAY (TEN PERCENT) BEFORE THE
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REVENUE FROM PETROLEUM WOULD DROP BELOW THAT ESTIMATED

IN THE 1976 BUDGET BILL. FURTHERMORE, HE SAID ANY
REDUCTION IN OIL REVENUE WOULD BE OFFSET BY INCREASES
IN REVENUE FROM OTHER SOURCES.

3. COMMENT: HURTADO'S STATEMENT WAS A REACTION TO
CRITICISM THAT VENEZUELA WAS LOSING ITS CARIBBEAN AND
CANADIAN PETROLEUM MARKETS. DESPITE CONSERVATIVE BUDGET
WHICH DOES NOT INCLUDE OIL PRICE INCREASE, HURTADO MAY BE
"WHISTLING IN THE DARK" CONCERNING THE POSSIBLE
REDUCTION IN OIL REVENUE AND ITS EFFECT ON 1976 BUDGET.
VENEZUELA INVESTMENT FUND WILL PROVIDE NO BUFFER FOR
1916 SINCE NO NEW APPROPRIATION FOR THE FUND HAD BEEN
INCLUDED IN THE BUDGET. ALSO, OTHER SOURCES OF
REVENUE ARE NOT LIKELY TO COMPENSATE FOR ANY SIGNIFICANT
REDUCTION IN OIL REVENUE.

SHLAUDEMAN
UNQTE. KISSINGER

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